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Market Development Reports

Food Business Line

Periodic Press Translations from ATO Tokyo

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Report Highlights: From America's largest food and agricultural export market as translated from Japan's mass media and food press. This issue includes: *Starbucks Coffee Japan's* new contract with *Andersen's* is an effort to offer meals more palatable to Japanese consumers; *Nichimen Corporation* makes plans to intensify competition in Japan's fast food gyudon beef bowl market; *Itochu Corporation* is investing in food ingredients distribution for gyudon fastfood chains in the U.S.; Kirin Beverage announced plans that will make it the second largest provider of mineral water in Japan and; Japan food manufacturers and supermarkets increase their efforts to regain the confidence of the Japanese consumer.

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Retail/Wholesale

- According to the *Japan Department Store Association*, total sales of its member department stores in August 2002 declined by 1.8% compared to the same month last year. This is the ninth consecutive month member stores did not achieve the previous year's level. Food sales declined by 2.1%. (a 9/18)

Food Service

- *Mos Food Service*, an operator of "Mos Burger" hamburger fast food chains, is test marketing a dinner set plate menu in eight shops in the Kanto region. Based on the results, the menu may be introduced in other stores. (a 9/3)
- *Starbucks Coffee Japan* plans to change the supplier of its bakery and confectionery products to *Andersen*, a popular bakery chain in Japan. *Andersen's* familiarity with the Japanese taste preference is expected to make it a strong partner for *Starbucks'* meal offerings. (b 9/3)
- *Nichimen Corporation* announced on September 10 that it will buy a majority stake in *gyudon* beef bowl fast food chain operator, *Nakau Co.* which is now held by *Mos Food Services Inc.* *Nichimen* plans to invest 10 billion yen and open 100-200 stores within the next two years. (a 9/11)
- *Itochu Corporation*, another trading company, contracted with *Yoshinoya D&C* (also an operator of a *gyudon* beef bowl fast food chain) to take over the food distribution of *Yoshinoya's* subsidiary in the U.S. that operates 82 *gyudon* fast food chains on the West Coast, beginning in January 2003. *Itochu* also purchased *Japan California Products Inc.*, a Los Angeles-based wholesaler that sells 10 million dollars worth of Japanese food products and ingredients each year to 650 Japanese restaurants and supermarkets in the U.S. (a 9/12)

ATO Remarks: Gyudon is a bowl of warm rice topped with thinly sliced beef and onions prepared with soy sauce and broth, usually sold for about \$4.00 although recently it has been offered for less than \$3 dollars in order to compete with hamburgers. In Japan, while U.S. beef enjoys a substantial share of the gyudon market, most beef for Japanese hamburger is imported from elsewhere. During the BSE crisis, the top three gyudon chains publicized that they were using U.S. beef.

Food Processing/New Products/Market Trends

- A major pharmaceutical wholesaler *Ooki* plans to start selling a nail color remover made of grapefruit oil on September 10. This new product is said to have the advantage as a beauty treatment for hands as opposed to using traditional nail color remover. (a 9/4)
- *Kirin Beverage* announced on September 10 that it will form a joint venture with *Mitsubishi Corporation* and *Groupe Danone* of France in October. The new company will import and produce mineral water such as Danone's "Volvic," and it is planned to be a consolidated

subsidiary of *Kirin Beverage* beginning in the next year. With formation of the new venture, *Kirin Beverage* is expected to rise to second place in the Japanese mineral water market. (a 9/11)

- Hoping to reverse a serious decline in rice consumption by Japanese households, supermarket operators are introducing new varieties that are just as delicious as traditional favorites but priced lower. In addition, more supermarket operators are beginning to sell pre-washed rice. (a 9/12)

ATO Remarks: Japan's low birth rate and the increased variety of alternatives to rice both play a factor in the decline. However, the market for value-added products like pre-washed rice, retort pack steamed rice and frozen pilaff remain promising. While convenience of preparation is an attraction, reduced water pollution was another reason consumers are attracted to pre-washed rice.

Food Safety/Consumer Awareness

- *Prima Meat Packers* offered public clarification for the first time on September 2, 2002, that it had distributed *sozai* side-dishes containing outdated sauce between last February to June. *Prima Meat Packers* commented that despite their efforts to dispose of all recollected inventories, about 20 packages remained out in the market. (a 9/2)
- In order to regain consumer confidence in its beef products, *AEON* plans to disclose new product information to the public. Product information to be made available on the internet will include breed, description of the farmer, feed and birth date for each of its domestic beef products starting in November. (b 9/3)

ATO Remarks: Major national retailers are posting certificates near meat display cases for products made from domestically-raised beef. Shop managers say these measures were necessary in order to reduce consumer anxiety about BSE.

- According to the telephone poll of residents in the Tokyo Metropolitan area conducted in early August by the *Nihon Economic Newspaper*, demand for beef has nearly recovered to the level it was before the first BSE detection in Japan last year. Only 7.3% of respondents said they buy no beef whatsoever, compared with 31.3% in a previous survey done in last December. About 1.7% said they had increased their beef purchases somewhat while it was only 0.2% in the previous survey. However, only 7.6% said they mainly buy imports, compared with 26.1% in the earlier survey, and 43.6% said they buy mostly domestic meat, which is a 7.8% increase. Finally, mainly due to repeated food labeling scandals, 64.5% said beef should not be used in school lunches, while about 67.5% said they try to avoid giving beef as a gift. (a 9/3)
- According to the survey conducted by the *Japan Economic Newspaper*, 60% of the respondents from among Japanese food companies introduced a tracing system for their food ingredients, and 50% replied that they had strengthened their consumers' correspondence window by offering better services, reflecting these food companies' efforts to regain consumer confidence after series of food scandals. (a 9/10)

ATO/Cooperator/Competitor Activities/Trade Shows

- No Significant Articles

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Sources

(a) The Japan Economic Newspaper
(c) The Japan Food Journal

(b) The Nikkei Marketing Journal
(d) The Beverage & Food News Commentary

(e) The Japan Food News

(f) The Food Industry News

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